

Message Text

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TAGS: ETRD, EAGR

SUBJECT: TEA -- UK FACT-FINDING MISSION TO TEA PRODUC-
ING AREAS

REF: PILKAUSKAS/THIGPEN TELCON

1. MICHAEL MADDEN AND DAVID HUNTER, TROPICAL FOODS
DIVISION, MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
BRIEFED EMBOFD DECEMBER 18 ON RESULTS OF THEIR RECENT
FACT-FINDING TOUR OF TEA PRODUCING COUNTRIES. MISSION
WAS FOLLOW-ON TO PRIME MINISTER WILSON'S KINGSTON
INITIATIVE LAST SPRING, TO ASSESS POSSIBILITIES FOR
NEGOTIATING AN INTERNATIONAL COMMODITY AGREEMENT
FOR TEA. MADDEN EMPHASIZED ROLE OF MISSION WAS
LIMITED TO INFORMATION GATHERING AND THAT HE WAS IN
NO SENSE EMPOWERED TO ENGAGE IN EVEN PRELIMINARY
NEGOTIATIONS.

2. MADDEN (WHO WAS FORCED ABANDON TRIP PRIOR TO
COMPLETION FOR PERSONAL REASONS) SAID AND HUNTER
(WHO COMPLETED MISSION) CONCURRED THAT THERE IS
LITTLE PROSPECT FOR SERIOUS PRODUCER INTEREST IN
STARTING NEGOTIATIONS IN THE FORESEEABLE FUTURE. THERE
ARE TWO BASIC REASONS FOR THIS:

(A) PRODUCERS ARE NOT UNDER PARTICULAR PRICE
PRESSURE FOR MOMENT AND PROGNOSIS IS FOR
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NO EARLY CHANGE (UK CONCURS IN THIS ANALYSIS),

AND;

- (B) NEITHER TRADITIONAL PRODUCERS (SRI LANKA, INDIA, BANGLADESH) NOR RISING AFRICAN WISH TO RISK FREEZING THEIR MARKET SHARES IN AN AGREEMENT AT THIS TIME.

3. SOME SPECIFIC OBSERVATIONS CONCERNING INDIVIDUAL PRODUCERS WERE:

- (A) INDIA -- PROBLEM HERE IS RAPIDLY RISING DOMESTIC CONSUMPTION. WHILE INDIA HAS NO PRODUCTION PROBLEM, THEY ARE HARDPRESSED TO MAINTAIN EXPORT POSITION WHILE MEETING INCREASING INTERNAL DEMAND.
- (B) SRI LANKA -- THEY HAVE BOTH NATURAL AND HUMAN RESOURCES, BUT LACK POLITICAL INGREDIENT TO MAKE THINGS GEL. INDUSTRY IS 60 PERCENT STATE OWNED AND FARM EFFICIENCY LOW -- A PROBLEM IS GETTING NEEDED INPUTS (E.G. FERTILIZER) TO PLANTATIONS AT RIGHT TIME. ALSO TAX STRUCTURE DISCOURAGES PRIVATE GROWERS. INDUSTRY IS SERIOUSLY UNDERCAPITALIZED (PARTLY AS RESULT OF DECAPITALIZATION UNDER FORMER BRITISH OWNERS). MADDEN EMPHASIZED SRI LANKA HAS MANY EXCEPTIONALLY WELL-QUALIFIED AND DEDICATED TECHNICIANS AND OFFICIALS BUT PROBLEM IS TO MAKE EFFECTIVE USE OF THEM.
- (C) EAST AFRICA -- POSSIBLY RIGHTLY THINK OF THEMSELVES AS RISING PRODUCERS, BUT IT IS NOT ALL THAT CLEAR CUT. PROBLEM HERE IS COMMONLY THAT OF THINKING OF EXPANSION IN TERMS OF INCREASING SMALL FARMER HOLDINGS; QUALITY FROM SMALL HOLDINGS SEEMS GOOD BUT PRODUCTIVITY CLEARLY BELOW PLANTATION FARMING. UNDENIABLY THERE IS MUCH GOOD LAND APPROPRIATE FOR OPENING TO TEA EXPLOITATION, BUT QUESTION IS ABILITY OF AFRICANS TO PUT THINGS TOGETHER FOR SIGNIFICANT PRODUCTION EXPANSION.

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4. COMMENT: PRESUMABLY MADDEN'S RECOMMENDATION WILL BE AGAINST A UK INITIATIVE FOR A TEA AGREEMENT AT THIS TIME. PARAS 2 AND 3 MAY BE DRAWN UPON FOR DISCUSSIONS WITH US INDUSTRY, BUT WE SUGGEST AVOIDANCE OF LINKAGE OF MISSION WITH KINGSTON MEETING (PARA 1) IN SUCH DISCUSSIONS.

RICHARDSON

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